

FOURTEENTH CONGRESS)
OF THE REPUBLIC OF THE PHILIPPINES)
Second Regular Session)

OFFICE OF

9 MAR 25 11:16

SENATE

PSR NO. 949

RECEIVED BY

INTRODUCED BY SENATOR JINGGOY EJERCITO ESTRADA

RESOLUTION

DIRECTING THE COMMITTEE ON BANKS, FINANCIAL INSTITUTIONS AND CURRENCIES, TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE CLOSURE OF G7 BANK (RURAL BANK OF NABUA, INC.) WITH THE END IN VIEW OF CRAFTING REMEDIAL LEGISLATION TO PROTECT THE DEPOSITORS AND RESTORE PUBLIC CONFIDENCE IN THE BANKING SYSTEM AND FOR OTHER LEGISLATIVE PURPOSES

WHEREAS, Section 2 of Republic Act No. 8791, otherwise known as “The General Banking Law of 2000” provides that the State recognizes the vital role of banks in providing an environment conducive to the sustained development of the national economy, and in furtherance thereof, the State shall promote and maintain a stable and efficient banking and financial system that is globally competitive, dynamic and responsive to the demands of a developing economy;

WHEREAS, as enunciated in Section 3 of Republic Act No. 7653 or “The New Central Bank Act,” the Bangko Sentral provides policy directions in the areas of money, banking, and credit and exercises supervision over the operations of banks;

WHEREAS, the Philippine Deposit Insurance Corporation (PDIC) is mandated to insure the deposits of all banks to promote and safeguard the interests of the depositing public by way of providing permanent and continuing insurance coverage on all insured deposits and charged by law with the duty to take charge of the assets and liabilities of a bank which has been forbidden from doing business in the country;

WHEREAS, in August 2008, the Monetary Board/Bangko Sentral ng Pilipinas (BSP) ordered the closure of the G7 Bank (Rural Bank of Nabua Inc.) and placed it under the receivership of the PDIC;

WHEREAS, the G7 Bank is a seven-unit bank owned by the family of Fidel Cu, with head office in Naga City and has branches in Daraga, Albay; Ligao, Albay; Naga-E. Angeles-Panganiban Streets; Polangui, Albay; Nabua, Camarines Sur; and Pasig City in Metro Manila. The Bank has an estimated deposits of more than Three billion pesos (P3,000,000,000.00) from more than twenty thousand depositors which include prominent personalities with multi-million accounts;

WHEREAS, according to reports, G7 Bank “split” many of the big accounts into smaller ones to enable prominent and influential depositors to avail of the maximum deposit insurance of Two hundred fifty thousand pesos (P250,000.00) which was the prevailing maximum deposit insurance coverage at the time of the bank closure;

WHEREAS, prior to the implementation of the closure order, G7 Bank was purportedly given the opportunity to update their PDIC payments ostensibly to favor well-known depositors, create fictitious accounts to cover deposits beyond the maximum deposit insurance coverage and generate additional 20% fictitious accounts to cover cost of BSP and PDIC facilitation and such preferential treatment was allegedly accorded to the bank due to the bank owner's political connections;

WHEREAS, there is a need to determine if the alleged accommodation extended by the BSP and the PDIC to G7 Bank is in consonance with existing banking laws, rules and regulations;

WHEREAS, G7 Bank was allegedly used as a money laundering facility by some unscrupulous depositors. Along this line, it is likewise necessary to investigate whether G7 Bank complied with the mandate of Republic Act 9160, or the "Anti-Money Laundering Act of 2001, as amended," and other applicable laws so as to protect and preserve the integrity of the banking system;

WHEREAS, cognizant of the indispensable role of banks in promoting comprehensive national development and the recent spate of rural bank closures in the country, it is imperative to look into the reasons behind the closure of G7 Bank in order to craft remedial legislative measures to prevent further occurrence of bank closures, protect the depositing public, and restore public confidence in the banking industry;

NOW THEREFORE, BE IT RESOLVED, AS IT IS HEREBY RESOLVED to direct the Committee on Banks, Financial Institutions and Currencies, to conduct an inquiry, in aid of legislation, on the closure of G7 Bank (Rural Bank of Nabua, Inc.) with the end in view of crafting remedial legislation to protect the depositors and restore public confidence in the banking system and for other legislative purposes.

Adopted,


JINGGOY EJERCITO ESTRADA
Senator